THE GREAT-WEST LIFE ASSURANCE COMPANY

ANNUAL REPORT 2005

THE Great-West Life ASSURANCE COMPANY

FORWARD-LOOKING INFORMATION

This report may contain forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Company action, is also a forward-looking statement.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the insurance industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, catastrophic events, and the Company's ability to complete strategic transactions and integrate acquisitions.

The reader is cautioned that the foregoing list of important factors is not exhaustive. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company has no intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

NON-GAAP FINANCIAL MEASURES

This report may also contain non-GAAP financial measures. Terms by which non-GAAP financial measures are identified include but are not limited to "adjusted net income", "earnings before restructuring costs", "net income before restructuring costs" and other similar expressions. Non-GAAP financial measures are used to provide management and investors with additional measures of performance. However, non-GAAP financial measures do not have standard meanings prescribed by GAAP and are not directly comparable to similar measures used by other companies. Please refer to the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and presented in Canadian dollars unless otherwise indicated.

CORPORATE PROFILE

The Great-West Life Assurance Company (Great-West or the Company) is a leading Canadian insurer, with interests in the life insurance, health insurance, investment and retirement savings and reinsurance businesses, primarily in Canada and Europe.

In Canada, Great-West and its subsidiaries, London Life Insurance Company (London Life) and The Canada Life Assurance Company (Canada Life), offer a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations. The companies provide a wide range of investment and retirement savings plans, as well as life, disability and critical illness insurance for individuals and families. As a leading provider of employee benefits in Canada, Great-West offers effective benefit solutions for large and small employee groups.

Together, Great-West and its subsidiaries serve the financial security needs of 12 million people across Canada and have more than $134 billion in assets under administration.

Through Canada Life, the Company has operations in the United Kingdom, Isle of Man, the Republic of Ireland and Germany.

Great-West is a wholly-owned subsidiary of Great-West Lifeco Inc., a member of the Power Financial Corporation group of companies.

Ratings

Rating Agency	Measurement	Rating
A.M. Best Company	Financial Strength	A+
Dominion Bond Rating Service	Claims Paying Ability	IC-1
Fitch Ratings	Insurer Financial Strength	AA+
Moody's Investors Service	Insurance Financial Strength	Aa3
Standard & Poor's Rating Services	Insurer Financial Strength	AA

Table of Contents


Robert Gratton


Raymond L. McFeetors

Carefully managed organic growth and a clear focus on our strengths in core markets helped Great-West Life and our subsidiaries record another year of strong performance in 2005.

Net income for 2005 grew 19% to $1.3 billion. For participating policyholders of Great-West and our subsidiaries, London Life Insurance Company and The Canada Life Assurance Company, net income before policyholder dividends was $858 million. During the year, policyholder dividends were $764 million, with net income in the participating accounts after dividends of $94 million.

We work to deliver solid dividend performance in all participating policyholder accounts. For holders of Great-West participating policies in particular, we are pleased to report that we are maintaining the participating policyholder dividend scale for 2006.

Total premiums and deposits were $23.8 billion in 2005, reflecting high persistency and good sales growth despite the strengthening of the Canadian dollar against the British pound and the euro. Fee income grew 17% while total assets under administration increased 9%. Strong growth in retail investment funds deposits, including segregated funds and mutual funds, resulted in an 11% increase in segregated funds assets. General funds grew 8%, primarily the result of the acquisition of a block of payout annuity business in the United Kingdom in 2005.

Great-West's continued strong performance in 2005 is an indication of the quality of our underlying businesses, distribution channels and the successful integration of Canada Life's operations which was completed in 2005. The synergies we've achieved through the integration have exceeded our targets and continue to have a positive impact on our performance.

Another acknowledgement of the success of the integration of Canada Life's businesses is our consistently strong credit ratings. In July 2003, with the acquisition of Canada Life, the ratings of Great-West had been downgraded and assigned a negative outlook by Standard & Poor's Rating Services and Moody's Investors Service. In 2005, the ratings for Great-West and our subsidiaries were affirmed and the outlook was changed to stable from negative by both Moody's and Standard & Poor's.

As well, the strength of Great-West is reflected in our Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio. At the end of 2005, our MCCSR ratio was 208%, compared with 199% in 2004, well above regulatory requirements.

Canada

In 2005, the Great-West group of companies maintained or enhanced its leadership position in a number of key markets in Canada.

We have long been a leader in the Canadian employee benefits market. With the addition of Canada Life in 2003, we became a leader in the group creditor insurance business where we offer a convenient insurance option for individuals obtaining mortgages or other loans from financial institutions. We're also a leader in the capital accumulation business where we help employers and employees with their retirement plans. For individuals and families, we're a leading provider of investment funds, and disability and critical illness insurance. In 2005, Great-West, together with London Life and Canada Life, became Canada's number one provider of individual life insurance, with sales growth well ahead of the industry.

The value of marketplace leadership lies in what it enables us to offer clients – quality service, knowledgeable advice and innovative products, at competitive costs.

While traditional insurance protection forms the bedrock for our continued success, increasingly, clients are looking to us and our distribution channels for the tools and advice to help make informed decisions, whether those decisions are about personal financial security or maintaining a healthy workplace.

- Since its introduction in 2004, our *GroupNet™ Online Services for Plan Members* has become a source of benefits information and service for more than 300,000 Canadians covered through Great-West Life group insurance plans. In 2005, we added *GroupNet™ Flex Administration and Enrollment* to our *GroupNet* suite of online tools and services. This new resource helps plan sponsors and their advisors set up flexible benefits programs, making these plans more accessible to more businesses.

- We're also developing an innovative approach to help employers address rising benefit plan costs. *Health Factors – work-life solutions* is a co-ordinated approach to organizational health that will help empower organizations developing a workplace climate that supports health and wellness.
- On our individual business, we enhanced our segregated funds offering for all distribution channels and introduced a web-based annuity quote system. We also introduced new marketing materials and sales strategies, and provided illustration software and sales concepts.
- We extended the reach of universal life insurance to all our distribution channels. With competitive rates and features, our universal life offerings were a main reason behind the growth in life insurance sales during 2005. We also enhanced our competitive critical illness product with new features.

Building on our distribution capacity is an important source of growth for Great-West in Canada. In 2005, we acquired a block of mutual fund business in Quebec that significantly increased our distribution capacity in that market. The strength and diversity of our distribution network, and the value that these advisors offer their clients in planning for their financial security and businesses, continue to provide us with a significant competitive advantage in the Canadian marketplace.

Europe

In our European operations, our business is concentrated in several key markets in the United Kingdom, Republic of Ireland and Germany where we see strong growth potential. We continue to watch for opportunities that build on our business in those markets. This strategy has been successful in generating solid operating results, and we see favourable prospects for ongoing growth in the niche markets in Germany and the U.K., where we are well positioned.

In 2005, one such opportunity was the acquisition of the payout annuity business of Phoenix and London Assurance Limited in the U.K. This nearly doubled our payout annuity portfolio, enhancing our position in this core European market. The acquisition contributed positively to net income as we began to focus on investment enhancement initiatives.

By leveraging our extensive experience in the North American group insurance and wealth management markets to support the European operations, we helped achieve significant increases in premiums and deposits, and assets under administration.

Senior management developments

In December 2005, we announced several senior management changes:

Denis J. Devos and William L. Acton assumed the newly created positions of President and Chief Operating Officer for Great-West, London Life and Canada Life, in Canada and Europe respectively. These appointments are a natural progression of their roles and recognize the extensive experience these individuals have within the organization.

Raymond L. McFeetors continues in his role as President and Chief Executive Officer at Great-West, London Life and Canada Life, as well as at our parent company, Great-West Lifeco Inc. In addition, he has assumed the role of President and Chief Executive Officer of our sister company in the United States, Great-West Life & Annuity Insurance Company.

These changes are a reflection of growth in the diversity of our organization in recent years. They establish a uniform focus of our senior management structure in the regions where we do business.

Building on strengths

Great-West enjoys a strong market position in the consolidated Canadian financial services sector, complemented by a strong platform for growth in Europe.

In 2006, we will continue to build on the strength of our multi-channel distribution strategy in Canada, and develop opportunities where technology solutions can support quality customer service at competitive costs. We will continue to focus on opportunities for growth in our niche markets in Europe.

On behalf of the Board of Directors, we thank our clients for their continuing support and giving us the opportunity to help them plan for their financial future. We also thank our financial security advisors and staff for their efforts and commitment.

Robert Gratton
Chairman of the Board

Raymond L. McFeetors
President and
Chief Executive Officer

FINANCIAL HIGHLIGHTS

(in $ millions except per share amounts)

	2005	2004	% Change
For the years ended December 31			
Premiums:			
Life insurance, guaranteed annuities and insured health products	$ 13,144	$ 12,543	5%
Self-funded premium equivalents (ASO contracts)	1,955	1,863	5%
Segregated funds deposits:			
Individual products	6,046	5,270	15%
Group products	2,682	4,064	-34%
Total premiums and deposits	23,827	23,740	0%
Fee and other income	1,267	1,084	17%
Paid or credited to policyholders	13,989	13,234	6%
Summary of net income attributable to:			
Participating policyholder (1)	94	107	-12%
Preferred shareholder	11	11	0%
Net income common shareholder before adjustments (1)	1,373	1,136	21%
Adjustments after tax (1)	60	28	
Net income common shareholder	1,313	1,108	19%
Per Common Share			
Net earnings before adjustments (1)	$ 661.60	$ 558.80	18%
Adjustments after tax (1)	28.85	13.90	
Net earnings	632.75	544.90	16%
Dividends paid	290.00	227.87	27%
Book value	4,173.00	3,958.00	5%
At December 31			
Total assets	$ 76,641	$ 71,107	8%
Segregated funds assets	58,150	52,214	11%
Total assets under administration	$ 134,791	$ 123,321	9%
Participating policyholder equity	$ 1,548	$ 1,458	6%
Shareholder equity	8,927	8,362	7%
Total policyholder and shareholder equity	$ 10,475	$ 9,820	7%

1. Net income and net earnings per common share are presented before the following adjustments as a non-GAAP financial measure of earnings performance:
   (a) Following the acquisition of Canada Life Financial Corporation (CLFC) by the Company's parent, Great-West Lifeco Inc., a plan was developed to restructure and exit selected operations of CLFC (refer to note 2 in the Company's financial statements). Shareholder net income includes restructuring costs related to the acquisition of CLFC of $17 after tax, or $7.98 per common share, for the year ended December 31, 2005 ($28 after tax, or $13.90 per common share, for the year ended December 31, 2004).
   (b) 2005 results include a charge of $43 after tax, or $20.87 per common share, in the shareholder account and $5 after tax in the participating policyholder account related to provisions for expected losses arising from hurricane damage in 2005.

FINANCIAL REPORTING RESPONSIBILITY

The consolidated financial statements are the responsibility of management and are prepared in accordance with Canadian generally accepted accounting principles for life insurance enterprises, including the accounting requirements of the Office of the Superintendent of Financial Institutions Canada. The financial information contained elsewhere in the annual report is consistent with that in the consolidated financial statements. The consolidated financial statements necessarily include amounts that are based on management's best estimates. These estimates are based on careful judgments and have been properly reflected in the consolidated financial statements. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its segregated funds and the results of its operations and its cash flows and the changes in assets of its segregated funds in accordance with Canadian generally accepted accounting principles, including the requirements of the Superintendent of Financial Institutions Canada.

In carrying out its responsibilities, management maintains appropriate internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles, including the requirements of the Superintendent of Financial Institutions Canada.

The consolidated financial statements were approved by the Board of Directors which has oversight responsibilities with respect to financial reporting. The Board of Directors carries out this responsibility principally through the Audit Committee, which is comprised of non-management directors. The Audit Committee is charged with, among other things, the responsibility to:

- Review the interim and annual consolidated financial statements and report thereon to the Board of Directors.
- Review internal control procedures.
- Review the independence of the external auditors and the terms of their engagement and recommend the appointment and compensation of the external auditors to the Board of Directors.
- Review other audit, accounting and financial reporting matters as required.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Company's external and internal auditors to review their respective audit plans and to review their audit findings. The Committee is readily accessible to external and internal auditors and to the Appointed Actuary.

The Board of Directors of the Company, pursuant to the *Insurance Companies Act* (Canada), appoints an Actuary who is a Fellow of the Canadian Institute of Actuaries. The Actuary:

- Ensures that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations and directives.
- Provides an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations. Examination of supporting data for accuracy and completeness and analysis of assets for their ability to support the policy liabilities are important elements of the work required to form this opinion.
- Annually analyzes the financial condition of the Company and prepares a report for the Board of Directors. The analysis covers a five year period, and tests the projected capital adequacy of the Company, under adverse economic and business conditions.

Deloitte & Touche LLP Chartered Accountants, as the Company's external auditors, have audited the consolidated financial statements. The Auditors' Report to the Policyholders, Shareholders and Directors is presented following the consolidated financial statements. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its segregated funds and the results of its operations and its cash flows and the changes in assets of its segregated funds in accordance with generally accepted accounting principles, including the requirements of the Superintendent of Financial Institutions Canada

Raymond L. McFeetors
President and Chief
Executive Officer

William W. Lovatt
Executive Vice-President and
Chief Financial Officer

February 16, 2006

SUMMARY OF CONSOLIDATED OPERATIONS

(in $ millions except per share amounts)

For the years ended December 31	2005	2004
Income		
Premium income	**$ 13,144**	$ 12,543
Net investment income (note 3)	**3,991**	3,785
Fee and other income	**1,267**	1,084
	18,402	17,412
Benefits and expenses		
Policyholder benefits	**10,801**	11,990
Increase in actuarial liabilities	**2,541**	497
Policyholder dividends and experience refunds	**647**	747
Total paid or credited to policyholders	**13,989**	13,234
Commissions	**1,063**	1,022
Operating expenses	**1,281**	1,290
Premium taxes	**198**	209
Financing charges (note 8)	**83**	100
Amortization of finite life intangible assets	**18**	18
Restructuring costs (note 2)	**22**	42
Net operating income before income taxes	**1,748**	1,497
Income taxes – current	**273**	149
– future	**50**	115
Net income before non-controlling interests	**1,425**	1,233
Non-controlling interests	**7**	7
Net income	**1,418**	1,226
Net income – participating policyholder (note 13)	**94**	107
Net income – shareholders	**1,324**	1,119
Preferred share dividends	**11**	11
Net income – common shareholder	**$ 1,313**	$ 1,108
Earnings per common share	**$ 632.75**	$ 544.90

CONSOLIDATED BALANCE SHEET

(in $ millions)

December 31	2005	2004
Assets		
Bonds (note 3)	$ 41,965	$ 38,677
Mortgage loans (note 3)	12,875	12,688
Stocks (note 3)	3,415	2,682
Real estate (note 3)	1,694	1,496
Loans to policyholders	2,298	2,242
Cash and certificates of deposit	2,779	2,222
Funds held by ceding insurers	2,556	2,337
Goodwill (note 5)	5,248	5,248
Intangible assets (note 5)	1,453	1,508
Other assets (note 6)	2,358	2,007
General funds assets	$ 76,641	$ 71,107
Segregated funds assets	$ 58,150	$ 52,214
Liabilities		
Policy liabilities		
Actuarial liabilities (note 7)	$ 51,399	$ 46,046
Provision for claims	822	824
Provision for policyholder dividends	452	498
Provision for experience rating refunds	308	501
Policyholder funds	1,779	1,793
	54,760	49,662
Debentures and other debt instruments (note 9)	786	815
Funds held under reinsurance contracts	4,149	4,630
Other liabilities (note 10)	3,204	3,151
Repurchase agreements	61	–
Deferred net realized gains (note 3)	2,401	2,019
	65,361	60,277
Capital trust securities and debentures (note 12)	648	651
Preferred shares issued by subsidiary (note 11)	–	200
Non-controlling interests (note 11)		
Perpetual preferred shares issued by subsidiary	157	159
Policyholder and shareholder equity		
Participating surplus (note 13)		
Accumulated surplus	1,564	1,472
Currency translation account	(16)	(14)
Share capital (note 14)		
Preferred shares	210	210
Common shares	6,116	5,895
Shareholder surplus		
Accumulated surplus	2,877	2,184
Contributed surplus	186	182
Currency translation account	(462)	(109)
	10,475	9,820
General funds liabilities, policyholder and shareholder equity	$ 76,641	$ 71,107
Segregated funds	$ 58,150	$ 52,214

Approved by the Board:

Director

Director

CONSOLIDATED STATEMENT OF SURPLUS

(in $ millions)

For the years ended December 31	2005	2004
Participating surplus		
Accumulated surplus		
Balance, beginning of year	$ 1,472	$ 1,387
Net income	94	107
Change in accounting policy – stock option expense (note 1(o))	–	(1)
Repatriation of Canada Life seed capital from participating policyholder account (note 13)	(2)	(21)
Balance, end of year	$ 1,564	$ 1,472
Currency translation account		
Balance, beginning of year	$ (14)	$ (7)
Change during the year	(2)	(7)
Balance, end of year	$ (16)	$ (14)
Shareholder surplus		
Accumulated surplus		
Balance, beginning of year	$ 2,184	$ 1,521
Net income	1,324	1,119
Change in accounting policy – stock option expense (note 1(o))	–	(2)
Repatriation of Canada Life seed capital from participating policyholder account (note 13)	2	21
Preferred share cancellation excess in subsidiary (note 11)	(21)	–
Dividends to shareholders		
Perpetual preferred shareholders	(11)	(11)
Common shareholders	(601)	(464)
Balance, end of year	$ 2,877	$ 2,184
Contributed surplus		
Balance, beginning of year	$ 182	$ 174
Stock option expense		
Change in accounting policy (note 1(o))	–	3
Current year expense (note 15)	4	5
Balance, end of year	$ 186	$ 182
Currency translation account		
Balance, beginning of year	$ (109)	$ (56)
Change during the year	(353)	(53)
Balance, end of year	$ (462)	$ (109)

CONSOLIDATED STATEMENT OF CASH FLOWS

(in $ millions)

For the years ended December 31	2005	2004
Operations		
Net income	$ 1,418	$ 1,226
Adjustments for non-cash items:		
Change in policy liabilities	2,343	372
Change in funds held by ceding insurers	(219)	1,805
Change in funds held under reinsurance contracts	(463)	(349)
Change in current income taxes payable	51	(220)
Future income tax expense	50	115
Other	(291)	(134)
Cash flows from operations	2,889	2,815
Financing Activities		
Issue of common shares to parent	221	200
Purchased and cancelled preferred shares of subsidiary	(221)	–
Repayment of debenture to parent	–	(200)
Repayment of debentures and other debt instruments	(7)	(11)
Dividends paid	(612)	(475)
	(619)	(486)
Investment Activities		
Bond sales and maturities	17,948	18,164
Mortgage loan repayments	1,750	2,173
Stock sales	1,206	1,088
Real estate sales	193	147
Change in loans to policyholders	(70)	(61)
Reinsurance transactions	–	(268)
Acquisition of business (note 20)	22	–
Investment in bonds	(17,815)	(19,798)
Investment in mortgage loans	(2,232)	(2,186)
Investment in stocks	(1,846)	(1,044)
Investment in real estate	(587)	(192)
	(1,431)	(1,977)
Effect of changes in exchange rates on cash and certificates of deposit	(282)	(31)
Increase in cash and certificates of deposit	557	321
Cash and certificates of deposit, beginning of period	2,222	1,901
Cash and certificates of deposit, end of period	$ 2,779	$2,222
Supplementary cash flow information		
Income taxes paid	$ 324	$ 296
Interest paid	$ 98	$ 108

SEGREGATED FUNDS – CONSOLIDATED ASSETS

(in $ millions)

December 31	2005	2004
Bonds	$ 8,004	$ 9,306
Mortgage loans	1,842	1,613
Stocks	41,258	34,889
Real estate	4,180	3,423
Cash and certificates of deposit	3,579	3,467
Income due and accrued	191	176
Other assets (liabilities)	(904)	(660)
	$ 58,150	$ 52,214

SEGREGATED FUNDS – CONSOLIDATED STATEMENT OF CHANGES IN ASSETS

(in $ millions)

For the years ended December 31	2005	2004
Segregated funds assets, beginning of year	$ 52,214	$ 44,874
Additions (deductions):		
Policyholder deposits	8,728	9,334
Net investment income	1,292	932
Net realized capital gains (losses) on investments	1,997	1,502
Net unrealized capital gains (losses) on investments	3,034	982
Unrealized gains (losses) due to change in foreign exchange rates	(2,898)	(90)
Policyholder withdrawals	(6,323)	(5,475)
Net transfer from General Fund	106	155
	5,936	7,340
Segregated funds assets, end of year	$ 58,150	$ 52,214

(in $ millions except per share amounts)

1. Basis of Presentation and Summary of Accounting Policies

The consolidated financial statements of The Great-West Life Assurance Company (Great-West or the Company) include the accounts of its subsidiary companies and have been prepared in accordance with Subsection 331(4) of the *Insurance Companies Act*, which states that, except as otherwise specified by the Superintendent of Financial Institutions Canada (OSFI), the consolidated financial statements are to be prepared in accordance with Canadian generally accepted accounting principles for life insurance enterprises, including the accounting requirements of OSFI. The principal subsidiaries at December 31, 2005 are:

London Insurance Group (LIG)
Canada Life Financial Corporation (CLFC)
GWL Investment Management Ltd. (GWLIM)
GWL Realty Advisors Inc.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies are as follows:

(a) Portfolio Investments

Investments in bonds and mortgage loans (debt securities) are carried at amortized cost net of any allowance for credit losses. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield. Net realized gains and losses are included in Deferred Net Realized Gains and are deferred and amortized over the period to maturity of the security sold.

Investments in stocks (equity securities) are carried at cost plus a moving average market value adjustment of $287 ($264 in 2004). The carrying value is adjusted towards market value at a rate of 5% per quarter. Net realized gains and losses are included in Deferred Net Realized Gains and are deferred and amortized to income at a rate of 5% per quarter on a declining-balance basis.

Investments in real estate are carried at cost net of write-downs and allowances for loss, plus a moving average market value adjustment of $150 ($160 in 2004). The carrying value is adjusted towards market value at a rate of 3% per quarter. Net realized gains and losses are included in Deferred Net Realized Gains and are deferred and amortized to income at a rate of 3% per quarter on a declining-balance basis.

Market values for publicly traded bonds are determined using quoted market prices. Market values for bonds that are not actively traded and for mortgages are determined by discounting expected future cash flows related to the securities at market interest rates. Market values for public stocks are generally determined by the closing sale price of the security on the exchange where it is principally traded. Market values for stocks for which there is no active market are determined by management. Market values for all properties are determined annually by management based on a combination of the most recent independent appraisal and current market data available. Appraisals of all properties are conducted at least once every three years by independent qualified appraisers.

(b) Cash and Certificates of Deposit

Cash and certificates of deposit in the Consolidated Statement of Cash Flows comprise cash, current operating accounts, overnight bank and term deposits with original maturity of three months or less, and fixed-income securities with an original term to maturity of three months or less. Net payments in transit and overdraft bank balances are included in other liabilities.

(c) Derivative Financial Instruments

The Company uses derivative products as risk management instruments to hedge or manage asset, liability and capital positions, including revenues. Policy guidelines prohibit the use of derivative instruments for speculative purposes.

The Company documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are used in hedging transactions to specific assets and liabilities on the balance sheet or to specific firm commitments or transactions. The Company also assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments used by the Company are summarized in note 19.

The accounting policies for derivative financial instruments used for hedging correspond to those used for the underlying hedged position. In the event a designated hedged item is sold, extinguished, matures or ceases to be effective prior to the termination of the related derivative instrument, any subsequent realized or unrealized gains or losses on such derivative instruments are recognized in income.

(d) Foreign Currency Translation

The Company follows the current rate method of foreign currency translation for its net investment in its self-sustaining foreign operations. Under this method, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all income and expense items are translated at an average of daily rates. The Currency Translation Account is presented separately on the Consolidated Balance Sheet. The Company has entered into certain daily average rate forward exchange contracts to manage volatility associated with the translation of a portion of revenues and investment in foreign opera-

1. Basis of Presentation and Summary of Accounting Policies (cont'd)

tions into Canadian dollars. Foreign currency translation gains and losses on foreign currency transactions of the Company are included in net investment income and are not material to the financial statements of the Company.

(e) Loans to Policyholders

Loans to policyholders are shown at their unpaid balance and are fully secured by the cash surrender values of the policies.

(f) Funds Held by Ceding Insurers/Funds Held Under Reinsurance Contracts

Under certain forms of reinsurance contracts, it is customary for the ceding insurer to retain possession of the assets supporting the liabilities ceded. The Company records an amount receivable from the ceding insurer or payable to the reinsurer representing the premium due. Investment revenue on these funds withheld is credited by the ceding insurer.

(g) Goodwill and Intangible Assets

Goodwill represents the excess of purchase consideration over the fair value of net assets of acquired subsidiaries of the Company. Intangible assets represent finite life and indefinite life intangible assets of acquired subsidiaries of the Company. Finite life intangible assets include the value of customer contracts and distribution channels. These finite life intangible assets are amortized on a straight-line basis over 20 years and 30 years respectively. The Company tests goodwill and intangible assets for impairment on an annual basis by reviewing the fair value of the related businesses and intangible assets. Goodwill and intangible assets are written down when impaired to the extent that the carrying value exceeds the estimated fair value.

(h) Revenue Recognition

Premiums for all types of insurance contracts, and contracts with limited mortality or morbidity risk, are generally recognized as revenue when due. When premiums are recognized, actuarial liabilities are computed, with the result that benefits and expenses are matched with such revenue.

The Company's premium revenues, total paid or credited policyholders and policy liabilities are all shown net of reinsurance amounts ceded to, or including amounts assumed from, other insurers.

Fee and other income is recognized when earned and primarily includes fees earned from the management of segregated fund assets, fees earned on the administration of administrative services only (ASO) Group health contracts and fees earned from investment management services.

(i) Fixed Assets

Included in other assets are fixed assets that are carried at cost less accumulated amortization computed on a straight-line basis over their estimated useful lives, which vary from 3 to 15 years. Amortization of fixed assets included in the Summary of Consolidated Operations is $48 ($53 in 2004).

(j) Actuarial Liabilities

Actuarial liabilities represent the amounts equal to the carrying value of the assets that, taking into account the other pertinent items on the balance sheet, will be sufficient to discharge the Company's obligations over the term of the liability for its insurance policies and to pay expenses related to the administration of those policies. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. In accordance with these accepted practices, actuarial liabilities have been determined in accordance with the Canadian Asset Liability Method.

(k) Participating Account

The shareholder portion of participating earnings represents, as restricted by law, a portion of net income before policyholder dividends of the participating account, $40 in 2005 ($41 in 2004). The actual payment of the shareholder portion of participating earnings is legally determined as a percentage of policyholder dividends paid. $39 of shareholder surplus ($37 in 2004) that has been recognized but not paid is dependent on future payment of dividends to participating policyholders.

The Canada Life Assurance Company (Canada Life) participating account is comprised of two main subdivisions. The liabilities for participating policies issued or assumed by Canada Life prior to demutualization are held in closed block sub-accounts. These liabilities for guaranteed and other non-guaranteed benefits are determined using best estimate assumptions. If at any time the value of the assets allocated to these policies were, in the opinion of the Appointed Actuary, less than the assets required in the long-term to support the liabilities of these policies and the future reasonable expectations of the policyholders, assets having a sufficient value to rectify the situation would be transferred first from the additional ancillary sub-accounts maintained in the participating account for this purpose and then, if the deficiency is expected to be permanent, from the shareholder account. Any such transfers from the shareholder account would be recorded as a charge to shareholder net income.

The second main subdivision comprises the open block sub-accounts containing all liabilities in respect of new participating policies issued on or after demutualization. On demutualization, $50 of seed capital was transferred from shareholder surplus to the participating account. Subject to approval by OSFI, the seed capital amount, together with a reasonable rate of return, may be transferred to the shareholder account if the seed capital is no longer required to support the new participating policies. Transfers of seed capital to the shareholder account would be returns of capital and would be recorded as adjustments to shareholder surplus. A reasonable rate of return on seed capital will be recognized as income in the shareholder account and as an expense in the participating account when paid. $23 of seed capital has been repaid to date (see note 13).

(l) Income Taxes

The Company uses the liability method of income tax allocation. Current income taxes are based on taxable income and future income taxes are based on taxable temporary differences. The income tax rates used to measure income tax assets and liabilities are those rates enacted or substantively enacted at the balance sheet date.

(m) Repurchase Agreements

The Company enters into repurchase agreements with third-party broker-dealers in which the Company sells securities and agrees to repurchase substantially similar securities at a specified date and price. Such agreements are accounted for as investment financings.

(n) Pension Plans and Other Post-Retirement Benefits

The Company maintains contributory and non-contributory defined benefit pension plans for certain of its employees and agents. The cost of pension benefits is charged to earnings using the projected benefit method prorated on services (see note 16).

The Company also provides post-retirement health, dental and life insurance benefits to eligible employees, agents and their dependants. The cost of post-retirement health, dental and life insurance benefits is charged to earnings using the projected benefit method prorated on services (see note 16).

(o) Stock-Based Compensation

Great-West Lifeco Inc. (Lifeco), the Company's parent, has a stock option plan that provides for the granting of options on common shares of Lifeco to certain officers and employees of Lifeco and its affiliates, which is described in note 15. Effective January 1, 2004, the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3870 Stock Based Compensation and Other Stock-Based Payments was amended to require expense treatment of all stock based compensation and payments at grant date for options granted beginning on or after January 1, 2002. This change in accounting policy has been applied retroactively without restatement of prior years' financial statements, and results in a charge of $2 to shareholder surplus, a charge of $1 to participating policyholder surplus and an increase in contributed surplus of $3.

(p) New Accounting Requirements

Consolidation of Variable Interest Entities

Effective January 1, 2005, the Company adopted the CICA Handbook Accounting Guideline on Consolidation of Variable Interest Entities. As a result, the Company will no longer consolidate Great-West Life Capital Trust (GWLCT) and Canada Life Capital Trust (CLCT) but will recognize the related debentures, refer to note 12. There is no impact of this change in accounting policy to common shareholder net income or basic earnings per common share.

Financial Instruments – Disclosure and Presentation

Effective January 1, 2005, the CICA Handbook Section on Financial Instruments – Disclosure and Presentation was amended to require liability classification, for certain financial instruments. This change in accounting policy has been applied retroactively, refer to notes 11 and 12. There is no impact of this change in accounting policy to common shareholder net income or basic earnings per common share.

(q) Earnings Per Common Share

Earnings per common share is calculated using net income after preferred share dividends and the weighted average number of common shares outstanding of 2,074,385 (2,033,315 in 2004).

(r) Geographic Segmentation

The Company has significant operations in Canada, Europe and the United States. Reinsurance operations and operations in all countries other than Canada and the United States are reported as part of the Europe/Reinsurance segment.

(s) Comparative Figures

Certain of the 2004 amounts presented for comparative purposes have been reclassified to conform with the presentation adopted in the current year.

2. Restructuring Costs

The plan to restructure and integrate the operations of CLFC with the operations of Great-West and London Life Insurance Company (London Life) has been completed at the end of 2005 at a total cost of $439. Restructuring costs related to the acquisition of CLFC incurred for the year ended December 31, 2005 were $101 ($218 for the year ended December 31, 2004). Of this amount $22 before tax ($17 after tax) ($42 before tax ($28 after tax) in 2004) was charged to income and $79 ($176 in 2004) was charged against the amount accrued as part of the purchase equation of CLFC. These restructuring costs are related to the elimination of duplicate systems, exiting and consolidating operations and compensation costs.

3. Portfolio Investments

(a) Carrying values and estimated market values of portfolio investments are as follows:

		2005		2004	
		Carrying value	**Market value**	Carrying value	Market value
Bonds	– government	**$ 15,928**	**$ 17,163**	$ 16,012	$ 16,757
	– corporate	**26,037**	**27,429**	22,665	23,638
		41,965	**44,592**	38,677	40,395
Mortgage loans	– residential	**6,599**	**6,944**	6,245	6,580
	– non-residential	**6,276**	**6,606**	6,443	6,756
		12,875	**13,550**	12,688	13,336
Stocks		**3,415**	**4,024**	2,682	3,071
Real estate		**1,694**	**1,960**	1,496	1,684
		$ 59,949	**$ 64,126**	$ 55,543	$ 58,486

(b) The significant terms and conditions and interest rate ranges of applicable fixed-term portfolio investments gross of provisions, are as follows:

	Carrying value					
	Term to maturity					
2005	**1 year or less**	**1–5 years**	**Over 5 years**	**Total**	**Principal amount**	**Effective interest rate ranges**
Short-term bonds	**$ 881**	**$ –**	**$ –**	**$ 881**	**$ 878**	**1.0%–3.5%**
Bonds	**1,215**	**10,593**	**29,307**	**41,115**	**44,162**	**1.3%–16.8%**
Mortgage loans	**113**	**4,956**	**7,818**	**12,887**	**12,629**	**3.0%–13.5%**
	$ 2,209	**$ 15,549**	**$ 37,125**	**$ 54,883**	**$ 57,669**	

	Carrying value					
	Term to maturity					
2004	1 year or less	1–5 years	Over 5 years	Total	Principal amount	Effective interest rate ranges
Short-term bonds	$ 1,646	$ –	$ –	$ 1,646	$ 1,642	1.0%–3.0%
Bonds	2,041	9,180	25,918	37,139	41,689	1.3%–16.8%
Mortgage loans	65	4,476	8,163	12,704	12,380	3.0%–13.8%
	$ 3,752	$ 13,656	$ 34,081	$ 51,489	$ 55,711	

(c) Included in portfolio investments are the following:

(i) Non-performing loans:

	2005	2004
Bonds	$ 54	$ 91
Mortgage loans	4	13
Foreclosed real estate	6	–
	$ 64	$ 104

Non-performing loans include non-accrual loans and foreclosed real estate held for sale. Bond and mortgage investments are reviewed on a loan by loan basis to determine non-performing status. Loans are classified as non-accrual when:

(1) payments are 90 days or more in arrears, except in those cases where, in the opinion of management, there is justification to continue to accrue interest; or

(2) the Company no longer has reasonable assurance of timely collection of the full amount of the principal and interest due; or

(3) modified/restructured loans are not performing in accordance with the contract.

Where appropriate, provisions are established or write-offs made to adjust the carrying value to the net realizable amount. Wherever possible the fair value of collateral underlying the loans or observable market price is used to establish net realizable value.

(ii) Allowance for credit losses:

	2005	2004
Bonds & mortgage loans	$ 43	$ 124

(iii) Changes in the allowance for credit losses are as follows:

	2005	2004
Balance, beginning of year	$ 124	$ 123
Provision for credit losses	(22)	(5)
Recoveries of prior write-offs	(59)	(16)
Other (including foreign exchange rate changes)	–	22
Balance, end of year	$ 43	$ 124

The allowance for credit losses is supplemented by the provision for future credit losses included in actuarial liabilities.

(d) Investments in real estate include an asset value allowance of $0 ($19 in 2004) which provides for deterioration of market values associated with real estate held for investment.

(e) Also included in portfolio investments are modified/restructured loans of $16 ($16 in 2004) that are performing in accordance with their current terms.

(f) Net investment income is comprised of the following:

2005	Investment income earned	Amortization of net realized and unrealized gains	Provision for credit losses	Investment expenses	Net investment income
Bonds	$ 2,249	$ 220	$ 20	$ –	$ 2,489
Mortgage loans	787	41	2	–	830
Stocks	173	217	–	–	390
Real estate	112	45	–	–	157
Other	165	–	–	(40)	125
	$ 3,486	$ 523	$ 22	$ (40)	$ 3,991

2004	Investment income earned	Amortization of net realized and unrealized gains	Provision for credit losses	Investment expenses	Net investment income
Bonds	$ 2,257	$ 214	$ 2	$ –	$ 2,473
Mortgage loans	825	43	3	–	871
Stocks	184	123	–	–	307
Real estate	94	38	–	–	132
Other	47	–	–	(45)	2
	$ 3,407	$ 418	$ 5	$ (45)	$ 3,785

3. Portfolio Investments (cont'd)

(g) The balance of deferred net realized gains is comprised of the following:

	2005	2004
Bonds	$ 1,740	$ 1,423
Mortgage loans	118	118
Stocks	381	319
Real estate	162	159
	$ 2,401	$ 2,019

4. Pledging of Assets

The amount of assets which have a security interest by way of pledging is outlined below by major pledging activity:

	2005	2004
Derivative transactions	$ 7	$ 5
In respect of reinsurance agreements	–	26
	$ 7	$ 31

5. Goodwill and Intangible Assets

(a) Goodwill

The carrying value of goodwill and changes in carrying value of goodwill are as follows:

	2005	2004
Balance, beginning of year	$ 5,248	$ 5,184
Changes in allocation of purchase price of CLFC	–	66
Other acquisitions by subsidiaries	–	1
Sale by subsidiaries	–	(2)
Changes in foreign exchange rates	–	(1)
Balance, end of year	$ 5,248	$ 5,248
Shareholder	$ 5,248	$ 5,248
Participating policyholder	–	–
	$ 5,248	$ 5,248

The change in the allocation of the purchase price of CLFC in 2004 consists of decreases in the values of invested and other assets acquired of $91, increases in the value of intangible assets of $127, increases in the value of policy liabilities assumed of $164 and decreases in the value of other liabilities assumed of $62. During 2004, the Company finalized its accounting for the CLFC acquisition and allocated all the goodwill to the shareholder segment of the Company.

(b) Intangible Assets

The carrying value of intangible assets and changes in the carrying value of intangible assets are as follows:

	2005			
	Cost	Accumulated amortization	Changes in foreign exchange rates	Carrying value, end of year
Indefinite life intangible assets				
– Brands and trademarks	$ 410	$ –	$ (16)	$ 394
– Customer contract related	354	–	–	354
– Shareholder portion of acquired future Participating account profits	354	–	–	354
	1,118	–	(16)	1,102
Finite life intangible assets				
– Customer contract related	281	(35)	(2)	244
– Distribution channels	127	(8)	(12)	107
	408	(43)	(14)	351
Total	$ 1,526	$ (43)	$ (30)	$ 1,453

	2004			
	Cost	Accumulated amortization	Changes in foreign exchange rates	Carrying value, end of year
Indefinite life intangible assets				
– Brands and trademarks	$ 410	$ –	$ 4	$ 414
– Customer contract related	354	–	–	354
– Shareholder portion of acquired future Participating account profits	354	–	–	354
	1,118	–	4	1,122
Finite life intangible assets				
– Customer contract related	281	(21)	–	260
– Distribution channels	127	(4)	3	126
	408	(25)	3	386
Total	$ 1,526	$ (25)	$ 7	$ 1,508

During 2004, as part of the revision of the allocation of the purchase price of CLFC, the Company identified $127 of additional finite life intangible assets relating to distribution channels of CLFC.

6. Other Assets

Other assets consist of the following:

	2005	2004
Premiums in course of collection	$ 472	$ 349
Interest due and accrued	717	663
Future income taxes (note 18)	186	154
Fixed assets	161	182
Prepaid expenses	75	74
Accounts receivable	545	402
Accrued benefits asset (note 16)	181	179
Other	21	4
	$ 2,358	$ 2,007

7. Actuarial Liabilities

(a) Composition of Actuarial Liabilities and Related Supporting Assets

(i) The composition of actuarial liabilities is as follows:

	Participating		Non-participating		Total	
	2005	2004	2005	2004	2005	2004
Group Insurance	$ –	$ –	$ 1,411	$ 1,459	$ 1,411	$ 1,459
Individual Insurance & Investment Products	16,848	15,744	15,269	15,430	32,117	31,174
Europe/Reinsurance	1,678	1,895	16,193	11,518	17,871	13,413
Total	$ 18,526	$ 17,639	$ 32,873	$ 28,407	$ 51,399	$ 46,046

(ii) The composition of the assets supporting liabilities and surplus are as follows:

	2005					
	Bonds	Mortgage loans	Stocks	Real estate	Other	Total
Carrying value						
Participating	$ 9,157	$ 4,601	$ 1,685	$ 110	$ 2,973	$ 18,526
Non-participating						
Group Insurance	906	356	25	–	124	1,411
Individual Insurance & Investment Products	9,918	4,379	567	8	397	15,269
Europe/Reinsurance	11,363	660	162	669	3,339	16,193
Other liabilities	7,804	2,848	626	420	3,069	14,767
Participating surplus	1,389	19	2	18	120	1,548
Capital and surplus	1,428	12	348	469	6,670	8,927
Total carrying value	$ 41,965	$ 12,875	$ 3,415	$ 1,694	$ 16,692	$ 76,641
Fair value	$ 44,592	$ 13,550	$ 4,024	$ 1,960	$ 16,692	$ 80,818

7. Actuarial Liabilities (cont'd)

	2004					
	Bonds	Mortgage loans	Stocks	Real estate	Other	Total
Carrying value						
Participating	$ 10,036	$ 4,139	$ 643	$126	$ 2,695	$ 17,639
Non-participating						
Group Insurance	905	363	22	1	168	1,459
Individual Insurance & Investment Products	9,526	4,600	430	15	859	15,430
Europe/Reinsurance	7,440	768	221	547	2,542	11,518
Other liabilities	8,373	2,710	590	322	3,246	15,241
Participating surplus	641	18	552	70	177	1,458
Capital and surplus	1,756	90	224	415	5,877	8,362
Total carrying value	$ 38,677	$ 12,688	$ 2,682	$ 1,496	$ 15,564	$71,107
Fair value	$ 40,395	$ 13,336	$ 3,071	$ 1,684	$ 15,564	$74,050

Cash flows of assets supporting actuarial liabilities are matched within reasonable limits. Changes in the fair value of these assets are essentially offset by changes in the fair value of actuarial liabilities.

Changes in the fair value of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus over time in accordance with investment accounting policies.

The carrying value of assets backing actuarial liabilities plus the portion of deferred gains associated with actuarial liabilities is $53,800 ($47,446 in 2004). The fair value of these assets is $57,480 ($49,040 in 2004).

(b) Changes in Actuarial Liabilities

The change in actuarial liabilities is as follows:

	Participating		Non-participating		Total	
	2005	2004	2005	2004	2005	2004
Balance, beginning of year	**$ 17,639**	$ 16,798	**$ 28,407**	$ 28,917	**$ 46,046**	$ 45,715
Normal change – new business	**4**	(6)	**2,951**	2,317	**2,955**	2,311
– in force	**1,059**	941	**(1,411)**	(3,235)	**(352)**	(2,294)
Valuation assumption changes	**60**	(7)	**44**	(47)	**104**	(54)
Foreign exchange rate changes	**(236)**	(64)	**(1,681)**	(355)	**(1,917)**	(419)
Business movement to/from external parties	**–**	–	**4,803**	–	**4,803**	–
Business movement to/from affiliates	**–**	(23)	**(240)**	810	**(240)**	787
Balance, end of year	**$ 18,526**	$ 17,639	**$ 32,873**	$ 28,407	**$ 51,399**	$ 46,046

2005 – in 2005, actuarial liabilities for non-participating business reflect strengthened mortality assumptions in the annuity and reinsurance lines partially offset by improvements in the asset liability matching. The acquisition of a large block of annuity business in the UK was the major contributor to the growth.

2004 – non-participating liabilities for Canadian individual life insurance were reduced in recognition of improved mortality and improvements in asset-liability matching; non-participating liabilities were updated for annuitant longevity assumptions resulting in an increase in the UK and a decrease in Canada; and non-participating liabilities were reduced by improved experience on group health claims in the UK.

(c) Actuarial Assumptions

In the computation of actuarial liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses and rates of policy termination. The valuation assumptions use best estimates of future experience together with a margin for misestimation and experience deterioration. These margins have been set in accordance with guidelines established by the Canadian Institute of Actuaries and are necessary to provide reasonable assurance that actuarial liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

The methods for arriving at these valuation assumptions are outlined below:

Mortality – A life insurance mortality study is carried out annually for each major block of insurance business. The results of each study are used to update the Company's experience valuation mortality tables for that business. Where there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality assumption. Although mortality improvements have been observed for many years, for life insurance valuation the mortality provisions (including margin) do not allow for future improvements.

Annuitant mortality is also studied regularly and the results used to modify established industry experience annuitant mortality tables. Mortality improvement has been projected to occur throughout future years for annuitants.

Morbidity – The Company uses industry developed experience tables modified to reflect emerging company experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation.

Property and Casualty Reinsurance – Actuarial liabilities for property and casualty reinsurance written by London Reinsurance Group (LRG), a subsidiary of London Life, are determined using accepted actuarial practices for life insurers in Canada. Reflecting the long-term nature of the business, reserves have been established using cash flow valuation techniques including discounting. The reserves are based on cession statements provided by ceding companies. In certain instances, LRG management adjusts cession statement amounts to reflect management's interpretation of the treaty. Differences will be resolved via audits and other loss mitigation activities. In addition, reserves also include an amount for incurred but not reported losses (IBNR) which may differ significantly from the ultimate loss development. The estimates and underlying methodology are continually reviewed and updated and adjustments to estimates are reflected in income. LRG analyzes the emergence of claims experience against expected assumptions for each reinsurance contract separately and at the portfolio level. If necessary, a more in depth analysis is undertaken of the cedant experience.

Investment Returns – The assets which correspond to the liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine actuarial liabilities. Cash flows from assets are reduced to provide for asset default losses. Testing under several interest rate scenarios (including increasing and decreasing rates) is done to provide for reinvestment risk.

Expenses – Unit expense studies are updated regularly to determine an appropriate estimate of future expenses for the liability type being valued. Expense improvements are not projected. An inflation assumption is incorporated in the estimate of future expenses.

Policy Termination – Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where the Company has no experience with specific types of policies or its exposure is limited.

Policyholder Dividends – Future policyholder dividends are included in the determination of actuarial liabilities for participating policies, with the assumption that policyholder dividends will change in the future to reflect the experience of the respective participating accounts, consistent with the participating policyholder dividend policies.

(d) Risk Management

(i) Interest rate risk

Interest rate risk is managed by effectively matching portfolio investments with liability characteristics. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes.

(ii) Credit risk

Credit risk is managed through an emphasis on quality in the investment portfolio and by maintenance of issuer, industry and geographic diversification standards.

Projected investment returns are reduced to provide for future credit losses on assets. The net effective yield rate reduction averaged .19% (.18% in 2004).

The following outlines the future asset credit losses provided for in actuarial liabilities. These amounts are in addition to the allowance for asset losses included with assets:

	2005	2004
Participating	$ 536	$ 466
Non-participating	516	372
	$ 1,052	$ 838

(iii) Reinsurance risk

Maximum benefit amount limits per insured life (which vary by line of business) are established for life and health insurance and reinsurance is purchased for amounts in excess of those limits.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

As a result of reinsurance, actuarial liabilities have been reduced by the following amounts, which include the reinsurance transactions described in note 21:

	2005	2004
Participating	$ 1,100	$ 1,060
Non-participating	9,666	10,320
	$ 10,766	$ 11,380

Certain of the reinsurance contracts are on a funds withheld basis where the Company retains the assets supporting the reinsured actuarial liabilities, thus minimizing the exposure to significant losses from reinsurer insolvency on those contracts.

7. Actuarial Liabilities (cont'd)

(iv) Foreign exchange risk

If the assets backing actuarial liabilities are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases.

Foreign exchange risk is managed whenever possible by matching assets with related liabilities by currency and through the use of derivative instruments such as forward contracts and cross-currency swaps. These financial instruments allow the Company to modify an asset position to more closely match actual or committed liability currency.

(v) Liquidity risk

Liquidity risk is the risk that the Company will have difficulty raising funds to meet commitments. The liquidity needs of the Company are closely managed through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets. Approximately 60% of policy liabilities are non-cashable prior to maturity or subject to market value adjustments.

(e) Sensitivity of Actuarial Assumptions

The actuarial assumption most susceptible to change in the short run is future investment returns. One way of measuring the interest rate risk associated with this assumption is to determine the effect on the present value of the projected net asset and liability cash flows of the non-participating business of the Company of an immediate 1% increase or an immediate 1% decrease in the level of interest rates. These interest rate changes will also impact the projected cash flows. When the change to the projected cash flows is included in the calculation, the effect of an immediate 1% increase in interest rates would be to decrease the present value of these projected cash flows by $21 and the effect of an immediate 1% decrease in interest rates would be to decrease the present value of these net projected cash flows by $65. The level of actuarial liabilities established under the Canadian Asset Liability Method of valuation provides for interest rate movements significantly greater than the 1% shifts shown above.

(f) Minimum Continuing Capital and Surplus Requirements

The Appointed Actuary reviews the calculation of the Company's Canadian Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio, which is calculated on its worldwide insurance operations. The MCCSR ratio at December 31, 2005, was well in excess of the minimum requirement. In addition, foreign operations and foreign subsidiaries of the Company must comply with local capital requirements in each of the jurisdictions in which they operate. These regulatory requirements constrain the Company's ability to distribute its accumulated surplus.

8. Financing Charges

Financing charges include interest on long-term debentures and other debt instruments, previously classified as part of net investment income, together with distributions and interest on capital trust securities and debentures and preferred shares now classified as liabilities as described in notes 11 and 12 to the financial statements.

	2005	2004
Interest on long-term debentures and other debt instruments	$ 41	$ 59
Preferred share dividends	5	10
Distributions and interest on capital trust securities and debentures	49	49
Distributions on capital trust securities held by consolidated group as temporary investments	(12)	(18)
Total	$ 83	$ 100

9. Debentures and Other Debt Instruments

(a) Debentures and other debt instruments consist of the following:

	2005		2004	
	Carrying value	Fair value	Carrying value	Fair value
Short term				
Revolving credit in respect of reinsurance business with interest rates from 5.0% to 5.2% (2.2% to 3.2% in 2004) maturing within one year	$ 14	$ 14	$ 20	$ 20
Long term				
Operating:				
Notes payable with interest of 8.0%	9	9	10	10
Capital:				
Great-West				
6.74% debentures due November 24, 2036, unsecured	200	200	200	200
Canada Life				
Subordinated debentures due September 19, 2011 bearing a fixed rate of 8% until 2006 and, thereafter, at a rate equal to the Canadian 90-day Bankers' Acceptance rate plus 1%, unsecured	250	257	250	270
Subordinated debentures due December 11, 2013 bearing a fixed rate of 5.8% until 2008 and, thereafter, at a rate equal to the Canadian 90-day Bankers' Acceptance rate plus 1%, unsecured	200	208	200	214
6.40% subordinated debentures due December 11, 2028, unsecured	100	119	100	107
Acquisition related fair market value adjustment	13	–	35	–
	563	584	585	591
	763	784	785	791
Total long term	772	793	795	801
Total debentures and other debt instruments	$ 786	$ 807	$ 815	$ 821

(b) Principal repayments of long-term debt instruments

	Operating	Capital	Total
2006	$ 1	$ –	$ 1
2007	1	–	1
2008	1	–	1
2009	1	–	1
2010	1	–	1
2011 and thereafter	4	750	754
	$ 9	$ 750	$ 759

10. Other Liabilities

Other liabilities consist of the following:

	2005	2004
Current income taxes	$ 427	$ 372
Accounts payable	428	490
Liability for restructuring costs	–	79
Accrued benefits liability (note 16)	397	388
Bank overdraft	282	201
Future income taxes (note 18)	306	262
Other	1,364	1,359
	$ 3,204	$ 3,151

11. Preferred Shares Issued by Subsidiaries

	2005	2004
Preferred shares:		
Classified as liabilities (1)		
London Life Series C, 4.90% Non-Cumulative	$ –	$ 200
Perpetual preferred shares:		
Classifed as non-controlling interests		
CLFC Series B, 6.25% Non-Cumulative	145	145
Acquisition related fair market value adjustment	12	14
	$ 157	$ 159

(1) The adoption of the amendments to the CICA Handbook Section on Financial Instruments – Disclosure and Presentation (refer to note 1(p)) resulted in the reclassification of the London Life preferred shares from non-controlling interests to liabilities. London Life preferred share dividends have been reclassified to financing charges on the Summary of Consolidated Operations (see note 8).

On June 29, 2005, London Life purchased for cancellation its 8,000,000 Series C, 4.90% Non-Cumulative First Preferred Shares at a price of $221 or $27.68 per share from Great-West Lifeco Inc. (Lifeco), the Company's parent. Lifeco invested the $221 proceeds in common shares of the Company (see note 14). The premium of $21 or $2.68 per share was recorded as a charge to shareholder surplus.

12. Capital Trust Securities and Debentures

	2005	2004
Capital trust securities:		
Trust securities issued by GWLCT	$ –	$ 350
Trust securities issued by CLCT	–	450
	–	800
Capital trust debentures:		
5.995% Senior Debentures due December 31, 2052, unsecured (GWLCT)	350	–
6.679% Senior Debentures due June 30, 2052, unsecured (CLCT)	300	–
7.529% Senior Debentures due June 30, 2052, unsecured (CLCT)	150	–
	800	–
Acquisition related fair market value adjustment	34	37
Trust securities held by consolidated group as temporary investments	(186)	(186)
Total	$ 648	$ 651

GWLCT, a trust established by the Company, had issued $350 of capital trust securities, the proceeds of which were used by GWLCT to purchase Great-West senior debentures in the amount of $350, and CLCT, a trust established by Canada Life, had issued $450 of capital trust securities, the proceeds of which were used by CLCT to purchase Canada Life senior debentures in the amount of $450. Effective January 1, 2005 the Company does not consolidate GWLCT and CLCT. The impact of this is to not recognize the capital trust securities issued by GWLCT and CLCT and to recognize the debentures issued to the trusts by Great-West and Canada Life. As a result, distributions and interest on the capital trust securities have been reclassified to financing charges on the Summary of Consolidated Operations (see note 8).

13. Participating Policyholder

The Company controls a 100% equity interest in London Life and Canada Life. The participating operations and the participating balance sheets are presented as combined or consolidated in the operations in the Company's financial statements. The following tables provide additional information related to the operations and financial position of each entity.

(a) Net income, participating policyholder

	2005	2004
Net income attributable to participating policyholder before policy dividends		
Great-West	$ 110	$ 107
London Life	620	623
Canada Life	128	185
Policyholder dividends		
Great-West	(98)	(91)
London Life	(548)	(523)
Canada Life	(118)	(194)
Net income	$ 94	$ 107

(b) Participating account surplus

	2005	2004
(i) Participating policyholder undistributed surplus		
Great-West	$ 372	$ 360
London Life	1,167	1,095
Canada Life	25	17
	1,564	1,472
(ii) Currency translation account		
Great-West	–	–
London Life	(16)	(14)
Canada Life	–	–
	(16)	(14)
	$ 1,548	$ 1,458

During 2005, following OSFI approval, $2 of seed capital related to the Bahamas open block of the Canada Life participating policyholder account was transferred from the participating account to the shareholder account. The repatriation resulted in an increase in shareholder surplus of $2 and a decrease in participating policyholder surplus of $2. During 2004, following OSFI approval, $21 of seed capital related to the Irish open block of the Canada Life participating account, together with accrued interest of $5 (after tax), was transferred from the participating account to the shareholder account. The repatriation resulted in an increase in shareholder surplus of $21 and a decrease in participating policyholder surplus of $21.

14. Share Capital

Authorized:

Unlimited preferred shares

Unlimited common shares

	2005		2004	
	Number	Stated value	Number	Stated value
Issued and outstanding:				
Preferred shares:				
Series L, 5.20% Non-Cumulative Preferred Shares	2,093,032	$ 52	2,093,032	$ 52
Series O, 5.55% Non-Cumulative Preferred Shares	6,278,671	157	6,278,671	157
Series Q, 5.00% Non-Cumulative Preferred Shares	40,000	1	40,000	1
Balance, end of year	8,411,703	$ 210	8,411,703	$ 210
Common shares:				
Balance, beginning of year	2,059,557	$ 5,895	2,028,067	$ 5,695
Issued to parent	29,098	221	31,490	200
Balance, end of year	2,088,655	$ 6,116	2,059,557	$ 5,895
Total share capital		$ 6,326		$ 6,105

Preferred shares

The Series L, 5.20% Non-Cumulative Preferred Shares are redeemable at the option of the Company for $25 per share and are convertible to Series M Preferred Shares at the option of the holder, in each case on October 31, 2007 and on October 31 in every fifth year thereafter, subject to the requisite statutory approval.

The Series O, 5.55% Non-Cumulative Preferred Shares are redeemable at the option of the Company for $25 per share and are convertible into Series P Preferred Shares at the option of the holder on October 31, 2010 and on October 31 in every fifth year thereafter, subject to the requisite statutory approval.

The Series Q, 5.00% Non-Cumulative Preferred Shares are redeemable at the option of the Company for $25 per share on the later of December 31, 2007 and the date on which there are no Great-West Life Capital Trust Securities outstanding in GWLCT, subject to regulatory approval.

Common shares

On June 29, 2005, the Company issued 29,098 common shares to Lifeco for a value of $221 (see note 11).

On November 1, 2004 the Company issued 31,490 common shares to Lifeco at a stated value of $200.

15. Stock-Based Compensation

Lifeco has a stock option plan (the Plan) pursuant to which options to subscribe for common shares of Lifeco may be granted to certain officers and employees of Great-West and its affiliates. Lifeco's Compensation Committee (the Committee) administers the Plan and, subject to the specific provisions of the Plan, fixes the terms and conditions upon which options are granted. The exercise price of each option granted under the Plan is fixed by the Committee, but cannot under any circumstances be less than the weighted-average trading price per Lifeco common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. Termination of employment may, in certain circumstances, result in forfeiture of the options, unless otherwise determined by the Committee.

To date, four categories of options have been granted under the Plan. The exercise of the options in three of these four categories is subject to the attainment of certain financial targets of the Company. In two of these categories the financial targets have been attained. All of the options have a maximum exercise period of ten years. The maximum number of Lifeco common shares that may be issued under the Plan is currently 37,000,000.

The following table summarizes the status of, and changes in, options outstanding and the weighted-average exercise price:

	2005		2004	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
Outstanding, beginning of year (1)	**11,629,772**	**$ 13.22**	12,478,062	$ 12.53
Granted	**2,330,000**	**29.77**	589,000	25.01
Exercised	**(1,312,390)**	**8.16**	(1,437,290)	6.68
Forfeited	**(9,600)**	**17.14**	–	–
Outstanding, end of year	**12,637,782**	**$ 17.41**	11,629,772	$ 13.22
Options exercisable at year-end	**7,879,615**	**$ 8.95**	7,648,005	$ 11.97

(1) Amounts have been adjusted to reflect two-for-one subdivision of Lifeco's common shares in 2004.

The weighted average fair value of options granted during 2005 was $6.04 per option ($6.12 per option granted during 2004). The fair value of each option was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for those options granted in 2005 and 2004 respectively: dividend yield 2.937% (2.571%), expected volatility 21.154% (24.472%), risk-free interest rate 3.999% (4.328%), and expected life of 7 years (7 years).

In accordance with the fair value based method of accounting, compensation expense of $4 after tax in 2005 ($5 in 2004) has been recognized in the Summary of Consolidated Operations.

The following table summarizes information on the ranges of exercise prices including weighted-average remaining contractual life at December 31, 2005:

	Outstanding			Exercisable		
Exercise price ranges	Options	Weighted-average remaining contractual life	Weighted-average exercise price	Options	Weighted-average exercise price	Expiry
$4.24	114,050	0.56	$ 4.24	114,050	$ 4.24	2006
$8.12 – $8.38	916,632	1.63	8.21	916,632	8.21	2007
$11.14	1,473,500	2.30	11.14	1,473,500	11.14	2008
$11.06 – $13.63	211,800	3.24	13.63	211,800	13.63	2009
$11.14 – $16.48	4,082,300	4.55	13.14	3,344,300	13.12	2010
$17.14 – $17.70	784,500	5.92	17.14	627,600	17.14	2011
$18.78 – $19.42	2,136,000	7.52	19.42	995,333	19.42	2013
$24.37 – $25.12	589,000	8.34	25.01	196,400	25.05	2014
$28.36 – $29.84	2,330,000	9.92	29.77	–	–	2015

16. Pension Plans and Other Post-Retirement Benefits

The Company maintains contributory and non-contributory defined benefit pension plans for certain of its employees and agents. The Company also maintains defined contribution pension plans for certain of its employees and agents. The defined benefit plans provide pensions based on length of service and final average pay. Certain pension payments are indexed either on an ad hoc basis or on a guaranteed basis. As future salary levels affect the amount of employee future benefits, the projected benefit method prorated on services has been used to determine the accrued benefit obligation. The assets supporting the trusteed pension plans of the Company are held in separate trusteed pension funds. The remaining benefits are included in other liabilities and are supported by general assets of the Company. The recognized current cost of pension benefits is charged to earnings.

The Company also provides post-retirement health, dental and life insurance benefits to eligible employees, agents and their dependents. Retirees share in the cost of benefits through deductibles, co-insurance and caps on benefits. As the amount of some of the post-retirement benefits other than pensions depend on future salary levels and future cost escalation, the projected benefit method prorated on services has been used to determine the accrued benefit obligation. The amount of the obligation for these benefits is included in other liabilities and is supported by general assets of the Company. The recognized current cost of post-retirement non-pension benefits is charged to earnings. Effective November 30, 2005, the terms of the Canadian post-retirement health, dental and life insurance plans were amended. The amendment reduced the level of post-retirement benefits to be provided to certain active employees and revised the eligibility requirements for receiving benefits for certain other active employees. This results in the establishment of a negative past service cost that is being amortized over the average remaining service lives of these certain active employees. Effective January 1, 2005, the United States post-retirement benefit plan was settled, with no resulting settlement gain or loss.

Past service costs, transitional assets and transitional obligations are amortized over the expected average remaining service life of the employee/agent group. Prior years' cumulative experience gains or losses in excess of the greater of 10% of the beginning of year plan assets or accrued benefit obligation are amortized over the expected average remaining service life of the employee/agent group.

Subsidiaries of the Company have declared a partial windup in respect of certain Ontario defined benefit pension plans. These partial windups will not likely be completed for some time and, as a result of the July 2004 Supreme Court of Canada decision in *Monsanto Canada Inc. v. Ontario* (Superintendent of Financial Services), could involve the distribution of the amount of actuarial surplus, if any, attributable to the wound up portion of the plans. However, many issues remain unclear, including the basis of surplus measurement and entitlement and the method by which any surplus distribution would be implemented.

Based on information presently known, it is not expected that any application of the *Monsanto* decision to these partial windups will have a material adverse effect on the consolidated financial position of the Company.

The following tables reflect the financial position of the Company's contributory and non-contributory defined benefit plans at December 31, 2005 and 2004:

(a) Costs Recognized

	All pension plans		Other post-retirement benefits	
	2005	2004	2005	2004
Amounts arising from events in the period				
Defined benefit service cost	$ 70	$ 72	$ 13	$ 13
Defined contribution service cost	1	1	–	–
Employee contributions	(10)	(11)	–	–
Employer service cost	61	62	13	13
Past service costs	–	17	(61)	–
Interest cost on the accrued pension obligation	141	135	26	25
Actual return on plan assets	(325)	(157)	–	–
Actuarial (gain) loss on accrued benefit obligation	196	99	82	(47)
Curtailment gain	–	(11)	(6)	(4)
Settlement loss	4	–	–	–
Cost incurred	77	145	54	(13)
Adjustments to reflect costs recognized				
Difference between actual and expected return on plan assets	164	(5)	–	–
Difference between actuarial gains (losses) arising during the period and actuarial gains (losses) amortized	(194)	(90)	(79)	50
Amortization of transitional obligations	1	1	–	–
Difference between past service costs arising in period and past service costs amortized	3	(17)	61	–
Decrease in valuation allowance	(11)	(9)	–	–
Net benefit cost recognized for the period	$ 40	$ 25	$ 36	$ 37

16. Pension Plans and Other Post-Retirement Benefits (cont'd)

(b) Status

	Defined benefits pension plans		Other post-retirement benefits	
	2005	2004	2005	2004
Fair value of plan assets	$ 2,654	$ 2,452	$ –	$ –
Accrued benefit obligation	(2,619)	(2,390)	(374)	(419)
Funded status	35	62	(374)	(419)
Employer contributions after the measurement date	2	1	1	1
Unamortized past service costs	14	17	(61)	–
Unamortized net losses	142	118	78	74
Unamortized transitional obligation	4	5	–	–
Valuation allowance	(57)	(68)	–	–
Accrued benefit asset (liability)	$ 140	$ 135	$ (356)	$ (344)
Recorded in:				
Other assets	$ 181	$ 179	$ –	$ –
Other liabilities	(41)	(44)	(356)	(344)
Accrued benefit asset (liability)	$ 140	$ 135	$ (356)	$ (344)

(c) Plans with Accrued Benefit Obligations in Excess of Plan Assets

	Defined benefits pension plans		Other post-retirement benefits	
	2005	2004	2005	2004
Plans with plan assets				
Fair value of plan assets	$ 1,574	$ 1,124	$ –	$ –
Accrued benefit obligation	(1,752)	(1,276)	–	–
Plan deficit	$ (178)	$ (152)	$ –	$ –
Plans without plan assets				
Fair value of plan assets	$ –	$ –	$ –	$ –
Accrued benefit obligation	(141)	(119)	(374)	(419)
Plan deficit	$ (141)	$ (119)	$ (374)	$ (419)

The above plans' assets and accrued benefit obligations are disclosed separately as the accrued benefit obligations exceed the fair value of the plans' assets. These amounts have been included in previously aggregated results.

(d) Measurement and Valuation

Measurement date is November 30. In years prior to 2004, the measurement date was December 31. The dates of the actuarial valuations for funding purposes for the funded defined benefit pension plans (weighted by accrued benefit obligation) are:

Most recent valuation	% of plans
December 31, 2002	20%
December 31, 2003	16%
April 1, 2004	4%
December 31, 2004	60%

Next required valuation	% of plans
December 31, 2005	28%
December 31, 2006	16%
April 1, 2007	4%
December 31, 2007	52%

(e) Cash Payments

	All pension plans		Other post-retirement benefits	
	2005	2004	2005	2004
Contributions – Funded defined benefit plans	$ 27	$ 11	$ –	$ –
– Funded defined contribution plans	1	1	–	–
Benefits paid for unfunded plans	5	3	24	14
Total cash payment	$ 33	$ 15	$ 24	$ 14

(f) Reconciliations

		Defined benefits pension plans		Other post-retirement benefits	
		2005	2004	2005	2004
(i)	Accrued benefit obligation, beginning of year	$ 2,390	$ 2,213	$ 419	$ 473
	Adjustment to opening balance	1	(18)	–	(7)
	Reclassified as "Other Liabilities"	–	–	–	(20)
	Employer current service cost	60	61	13	13
	Employee contributions	10	11	–	–
	Interest on accrued pension obligation	141	135	26	25
	Actuarial (gains) losses	196	99	82	(47)
	Benefits paid	(113)	(104)	(15)	(13)
	Past service costs	–	17	(61)	–
	Curtailment loss	–	(11)	(81)	(4)
	Settlement gain	(14)	–	(9)	–
	Foreign exchange rate changes	(51)	(13)	–	(1)
	Accrued benefit obligation, end of year	$ 2,620	$ 2,390	$ 374	$ 419

		Defined benefits pension plans		Other post-retirement benefits	
		2005	2004	2005	2004
(ii)	Fair value of assets, beginning of year	$ 2,452	$ 2,384	$ –	$ –
	Adjustment to opening balance	2	–	–	–
	Employee contributions	10	11	–	–
	Employer contributions	31	14	24	13
	Return on plan assets	325	157	–	–
	Benefits paid	(113)	(104)	(15)	(13)
	Settlement loss	(18)	–	(9)	–
	Foreign exchange rate changes	(35)	(10)	–	–
	Fair value of assets, end of year	$ 2,654	$ 2,452	$ –	$ –

(g) Asset Allocation by Major Category Weighted by Plan Assets

	Defined benefit pension plans	
	2005	2004
Equity securities	49%	49%
Debt securities	38%	40%
All other assets	13%	11%
	100%	100%

No plan assets are directly invested in the Company's, or related parties', securities. Nominal amounts may be invested in the Company's, or related parties', securities through investments in pooled funds.

16. Pension Plans and Other Post-Retirement Benefits (cont'd)

(h) Significant Assumptions

	Defined benefits pension plans 2005	Defined benefits pension plans 2004	Other post-retirement benefits 2005	Other post-retirement benefits 2004
Weighted average assumptions used to determine benefit cost				
Discount rate	**5.92%**	6.14%	**6.25%**	6.25%
Expected long-term rate of return on plan assets	**6.72%**	6.88%	**–**	–
Rate of compensation increase	**4.99%**	4.88%	**5.01%**	4.98%
Weighted average assumptions used to determine accrued benefit obligation				
Discount rate	**5.19%**	5.92%	**5.23%**	6.25%
Rate of compensation increase	**4.30%**	4.99%	**4.31%**	5.01%

Weighted average health care trend rates

In determining the expected cost of health care benefits, health care costs were assumed to increase at the initial trend rate which would gradually decrease to an ultimate trend rate.

	2005	2004
Initial health care trend rate	**7.17%**	7.13%
Ultimate health care trend rate	**4.73%**	4.73%
Initial year	**2005**	2004
Year ultimate trend rate is reached	**2010**	2009

(i) Impact of Changes to Assumed Health Care Rates – Other Post-Retirement Benefits

	Impact on end of year accrued post-retirement benefit obligation 2005	Impact on end of year accrued post-retirement benefit obligation 2004	Impact on post-retirement benefit service and interest cost 2005	Impact on post-retirement benefit service and interest cost 2004
1% increase in assumed health care cost trend rate	$ **41**	$ 64	$ **8**	$ 8
1% decrease in assumed health care cost trend rate	**(34)**	(50)	**(6)**	(6)

17. Related Party Transactions

In the normal course of business, the Company provided insurance benefits to other companies within the Power Financial Corporation group of companies. In all cases, transactions were at market terms and conditions.

During the year, the Company provided and received from IGM Financial Inc. and its subsidiaries (IGM), a member of the Power Financial Corporation group of companies, certain administrative services. The Company also provided life insurance, annuity and disability insurance and critical illness insurance products under a distribution agreement with IGM. London Life provided distribution services to IGM. All services were provided on terms and conditions at least as favourable as market terms and conditions.

At December 31, 2005, 9,206,243 shares of IGM were held by the Company as an investment (9,207,375 in 2004). The fair value of the investment in IGM at December 31, 2005 is $425 ($337 in 2004).

During 2005, the Company and segregated funds maintained by the Company purchased residential mortgages of $123 from IGM ($77 in 2004). The Company sold residential mortgages of $6 ($17 in 2004) to segregated funds maintained by the Company and $46 ($110 in 2004) to segregated funds maintained by London Life. All transactions were at market terms and conditions.

During 2005, the Company purchased for cancellation its Series C, 4.90% Non-Cumulative First Preferred Shares, from Lifeco (note 11). The redemption premium of $21 was recorded as a charge to shareholder surplus. Interest expenses of $5 in 2005 ($10 in 2004) on this debt is included in the financial statements.

On December 30, 2005, the Company and Great-West Life & Annuity Insurance Company of South Carolina (GWSC), a subsidiary of Great-West Life & Annuity Insurance Company (GWL&A), an affiliated company, entered into an Indemnity Reinsurance Agreement pursuant to which the Company retroceded on a coinsurance basis with funds withheld, certain of its U.S. term life reinsurance business. The ceded premiums of $202 associated with this transaction have been recorded in the Summary of Consolidated Operations as a reduction to premium income with a corresponding reduction to the change in actuarial liabilities. For the Consolidated Balance Sheet, this transaction resulted in the reduction of actuarial liabilities of $195 and a corresponding increase in funds held under reinsurance contracts. The transaction was at market terms and conditions.

During 2005, Canada Life transferred $615 of invested assets to GWL&A, an affiliated company, under an existing co-insurance agreement. The transfer resulted in a corresponding decrease in funds held under reinsurance contracts.

During 2004, the Company repaid $200 principal amount of 6.75% Debentures due to Lifeco. Interest expense of $11 in 2004 on this debt is included in the financial statements.

The Company has interest bearing notes receivable from GWL&A which have an outstanding balance of $52 ($32 in 2004). $23 ($2 in 2004) is due on demand and non-interest bearing at December 31, 2005 and 2004. $29 matures on October 1, 2006 and bears interest at 5.4%. The Company has non-interest bearing notes payable due to GWL&A which have an outstanding balance of $15 at December 31, 2005.

During the first quarter of 2004, the Company recaptured all of the U.S. group insurance business that had been ceded to GWL&A in 2003. The acquired premiums of $332 associated with the recapture transaction have been recorded in the Summary of Consolidated Operations as an increase of premium income with a corresponding increase to the change in actuarial liabilities. For the Consolidated Balance Sheet, the transaction resulted in an increase in cash and other assets of $170, an increase in policyholder liabilities of $308 and a decrease to the liability for funds held under reinsurance contracts of $138.

18. Income Taxes

(a) Future income taxes consist of the following taxable temporary differences on:

	2005	2004
Policy liabilities	$ 266	$ 421
Portfolio investments	(216)	(473)
Other	(170)	(56)
Future income taxes receivable (payable)	$ (120)	$ (108)
Recorded in:		
Other assets	$ 186	$ 154
Other liabilities	(306)	(262)
	$ (120)	$ (108)

(b) The Company's effective income tax rate is derived as follows:

	2005	2004
Combined basic Canadian federal and provincial tax rate	35.5%	35.5%
Increase (decrease) in the income tax rate resulting from:		
Non-taxable investment income	(7.7)	(10.2)
Lower effective tax rates on income not subject to tax in Canada	(6.9)	(6.3)
Large corporations tax	0.3	0.2
Miscellaneous	(2.7)	(1.7)
Effective income tax rate applicable to current year	18.5	17.5

At December 31, 2005, CLFC had tax loss carryforwards, primarily in Canada, totalling $1,056 ($1,071 in 2004). The future tax benefit of these tax loss carryforwards has been recognized, to the extent that they are more likely than not to be realized, in the amount of $375 ($380 in 2004) in future tax assets. The Company will realize this benefit in future years through a reduction in current income taxes payable.

19. Off Balance Sheet Financial Instruments

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Company is an end user of various derivative financial instruments that are not reported on the balance sheet. Contracts are either exchange traded or over-the-counter traded with counterparties that are highly rated financial institutions.

(a) The following table summarizes the Company's derivative portfolio and related credit exposure:

2005	Notional amount	Maximum credit risk	Future credit exposure	Credit risk equivalent	Risk weighted equivalent
Interest rate contracts					
Futures	$ 289	$ –	$ –	$ –	$ –
Swaps	1,273	108	5	113	34
Options purchased	547	73	8	81	15
	2,109	181	13	194	49
Foreign exchange contracts					
Forward contracts	775	10	8	18	4
Cross-currency swaps	3,805	534	251	785	159
	4,580	544	259	803	163
Other derivative contracts					
Equity contracts	321	7	17	24	5
Credit default swaps	88	1	7	8	1
	409	8	24	32	6
	$ 7,098	$ 733	$ 296	$ 1,029	$ 218

19. Off Balance Sheet Financial Instruments (cont'd)

2004	Notional amount	Maximum credit risk	Future credit exposure	Credit risk equivalent	Risk weighted equivalent
Interest rate contracts					
Futures	$ 126	$ –	$ –	$ –	$ –
Swaps	1,089	36	5	41	8
Options purchased	655	59	9	68	14
	1,870	95	14	109	22
Foreign exchange contracts					
Forward contracts	842	–	9	9	2
Cross-currency swaps	2,748	329	169	498	121
	3,590	329	178	507	123
Other derivative contracts					
Equity contracts	453	18	24	42	8
Credit default swaps	88	1	–	1	–
	541	19	24	43	8
	$ 6,001	$ 443	$ 216	$ 659	$ 153

(b) The following table provides the use, notional amount and estimated fair value of the Company's derivative portfolio:

	Contracts held for asset/liability management				Contracts held for other purposes			
	Notional amount				Notional amount			
2005	**1 year or less**	**1–5 years**	**Over 5 years**	**Total estimated fair value**	**1 year or less**	**1–5 years**	**Over 5 years**	**Total estimated fair value**
Interest rate contracts								
Futures	**$ 289**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Swaps	**784**	**190**	**299**	**100**	**–**	**–**	**–**	**–**
Options purchased	**–**	**–**	**547**	**72**	**–**	**–**	**–**	**–**
	1,073	**190**	**846**	**172**	**–**	**–**	**–**	**–**
Foreign exchange contracts								
Forward contracts	**39**	**–**	**–**	**–**	**736**	**–**	**–**	**6**
Cross-currency swaps	**101**	**987**	**2,622**	**481**	**20**	**75**	**–**	**21**
	140	**987**	**2,622**	**481**	**756**	**75**	**–**	**27**
Other derivative contracts								
Equity contracts	**171**	**–**	**–**	**7**	**150**	**–**	**–**	**(4)**
Credit default swaps	**–**	**88**	**–**	**1**	**–**	**–**	**–**	**–**
	171	**88**	**–**	**8**	**150**	**–**	**–**	**(4)**
	$ 1,384	**$ 1,265**	**$ 3,468**	**$ 661**	**$ 906**	**$ 75**	**$ –**	**$ 23**

	Contracts held for asset/liability management				Contracts held for other purposes			
	Notional amount				Notional amount			
2004	1 year or less	1–5 years	Over 5 years	Total estimated fair value	1 year or yess	1–5 years	Over 5 years	Total estimated fair value
Interest rate contracts								
Futures	$ 126	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Swaps	671	170	248	27	–	–	–	–
Options purchased	–	–	655	60	–	–	–	–
	797	170	903	87	–	–	–	–
Foreign exchange contracts								
Forward contracts	46	–	–	(1)	796	–	–	(34)
Cross-currency swaps	192	822	1619	284	20	95	–	13
	238	822	1,619	283	816	95	–	(21)
Other derivative contracts								
Equity contracts	275	–	–	15	178	–	–	3
Credit default swaps	–	88	–	–	–	–	–	–
	275	88	–	15	178	–	–	3
	$ 1,310	$ 1,080	$ 2,522	$ 385	$ 994	$ 95	$ –	$ (18)

c) ***Interest Rate Contracts***

Interest rate swaps and options are used as a part of a portfolio of assets to manage interest rate risk associated with actuarial liabilities. Interest rate swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based. Interest income is adjusted to reflect the interest receivable and interest payable under the interest rate swaps. Realized gains and losses associated with these derivatives are deferred and amortized to net investment income.

Put options are purchased to protect against significant drops in equity markets. Premiums paid are amortized to net investment income over the life of the options. Gains and losses realized upon exercise of the options are recognized in net investment income.

Foreign Exchange Contracts

Cross-currency swaps are used in combination with other investments to manage foreign currency risk associated with actuarial liabilities. Under these swaps principal amounts and fixed and floating interest payments may be exchanged in different currencies. The carrying value on the balance sheet is adjusted to reflect the amount of the currency swapped and interest income is adjusted to reflect the interest receivable and interest payable under the swaps. The Company also enters into certain foreign exchange forward contracts to hedge certain product liabilities and to hedge a portion of the translation of its foreign revenues as well as a portion of both operating results and net investment in its foreign operations. The realized and unrealized gains and losses on contracts for product liabilities are included in net investment income offsetting the respective realized and unrealized gains and losses on the underlying product liabilities and a corresponding market value adjustment in the amounts paid or credited to policyholders. The realized gains and losses on contracts related to revenues are recognized in net investment income. The gains and losses on contracts related to net investment in foreign operations are included in the cumulative translation account which is part of policyholder and shareholder equity. Hedge effectiveness is reviewed quarterly through critical terms matching and correlation testing.

Other Derivative Contracts

Equity index swaps and futures are used to hedge certain product liabilities and are marked to market with realized and unrealized gains and losses included in net investment income offsetting the respective realized and unrealized gains and losses on the underlying product liabilities and a corresponding market value adjustment in the amounts paid or credited to policyholders. Equity index swaps are also used as substitutes for cash instruments and are marked to market with realized and unrealized gains and losses included in net investment income.

In addition, equity index swaps are used to hedge the market risk associated with certain fee income. Realized gains and losses are recognized in fee income. Hedge effectiveness is reviewed quarterly through correlation testing.

The Company uses credit derivatives to manage its credit exposures and for risk diversification in its investment portfolio. Unrealized gains and losses are deferred on the balance sheet and are recognized in net investment income in the period in which the underlying investment is recognized.

20. Acquisition of Business

During 2005, Canada Life, through its wholly-owned United Kingdom subsidiary, Canada Life Limited, acquired the assets and liabilities associated with the in-force annuity in payment business of Phoenix and London Assurance Limited, part of the Resolution Group which is based in the United Kingdom. The transaction resulted in invested assets and a corresponding increase in policyholder liabilities of $4.4 billion on the Consolidated Balance Sheet.

21. Reinsurance Transaction

During the first quarter of 2004, the Company's indirect subsidiary, Canada Life, ceded 100% of its U.S. group insurance business to a third party on an indemnity reinsurance basis. The ceded premiums of $416 associated with the transaction have been recorded in the Summary of Consolidated Operations as a reduction in premium income with a corresponding reduction to the change in actuarial liabilities. For the Consolidated Balance Sheet, this transaction resulted in a reduction of cash and other assets of $416, a reduction of policyholder liabilities of $384, and a reduction of other liabilities of $32.

22. Contingent Liabilities

The Company and its subsidiaries are subject to legal actions, including proposed class actions, arising in the normal course of business. It is not expected that any of these legal actions will have a material adverse effect on the consolidated financial position of the Company.

In addition, there are three proposed class proceedings in Ontario regarding the participation of the London Life and Great-West participating policyholder accounts in the financing of the acquisition of LIG in 1997 by Great-West. These proceedings are in their early stages, and it is difficult to predict the outcome with certainty. However, based on information presently known, these proceedings are not expected to have a material adverse effect on the consolidated financial position of the Company.

Subsidiaries of the Company have declared a partial windup in respect of certain Ontario defined benefit pension plans, which will not likely be completed for some time. The partial windups could involve the distribution of the amount of actuarial surplus, if any, attributable to the wound up portion of the plans. However, many issues remain unclear, including the basis of surplus measurement and entitlement, and the method by which any surplus distribution would be implemented. In addition to the regulatory proceedings involving one of the partial windups, a related proposed class action proceeding has been commenced in Ontario. Based on information presently known, the Company has not established a provision for these matters, due to the significant uncertainty with regard to the issues and likely outcome. It is not expected that any of these matters will have a material adverse effect on the consolidated financial position of the Company.

23. Commitments

(a) Syndicated Letters of Credit

Clients residing in the United States are required pursuant to their insurance laws to obtain letters of credit issued on LRG's behalf from approved banks in order to further secure LRG's obligations under certain reinsurance contracts.

LRG has a syndicated letter of credit facility providing U.S. $650 in letters of credit capacity. The facility was arranged in 2005 for a five-year term expiring November 15, 2010. Under the terms and conditions of the facility, collateralization may be required if a default under the letter of credit agreement occurs. LRG has issued U.S. $611 million in letters of credit under the facility as at December 31, 2005. LRG and certain of its affiliates had issued U.S. $748 under a previous letter of credit facility at December 31, 2004. LRG has other bilateral letter of credit facilities totalling U.S. $18 (2004 – U.S. $36).

(b) Crown Life Acquisition Agreements

As part of the 1999 acquisition by CLFC of the majority of Crown Life Insurance Company's (Crown Life) insurance operations, CLFC has the option, or may be obligated, to acquire the common shares of Crown Life and, through assumption reinsurance, the remaining insurance business of Crown Life at any time after January 1, 2004, subject to certain conditions, in which case CLFC would receive assets with a value equal to the liabilities assumed. The purchase price for the shares would be the fair value of the assets backing Crown Life's common shareholders' equity.

(c) Other Letters of Credit

Canada Life issues letters of credit in the normal course of business. Letters of credit in the amount of $2 were outstanding at December 31, 2005 ($1 at December 31, 2004), none of which have been drawn upon at that date.

(d) Lease Obligations

The Company enters into operating leases for office space and certain equipment used in the normal course of operations. Lease payments are charged to operations over the period of use. The future minimum lease payments in aggregate and by year are as follows:

	2006	2007	2008	2009	2010	2011 and thereafter	Total
Future lease payments	$ 68	57	56	36	36	84	$ 337

24. Segmented Information

The major reportable segments are the participating and shareholder operations of the Company. The Company operates through Great-West and its wholly owned subsidiaries LIG and CLFC.

The major business units within the segments are:

Group Insurance	– life, health and disability insurance products for group clients.
Individual Insurance & Investment Products	– life insurance and disability insurance products for individual clients, and accumulation and payout annuity products for both group and individual clients.
Europe/Reinsurance	– life, health and disability insurance products for individual and group clients and accumulation and payout annuity products in the United Kingdom, Ireland and Germany, as well as life, property and casualty, accident and health and annuity.
Corporate	– business activities and operations that are not associated with the above business units.

(a) Consolidated Operations

	Shareholder					Participating	
For the year ended December 31, 2005	Group insurance	Individual Insurance & Investment Products	Europe/ Reinsurance	Corporate	Total	Total	Total company
Income:							
Premium income	$ 2,653	$ 1,691	$ 6,815	$ 35	$ 11,194	$ 1,950	$ 13,144
Net investment income	295	1,005	968	212	2,480	1,511	3,991
Fee and other income	123	620	491	33	1,267	–	1,267
Total income	3,071	3,316	8,274	280	14,941	3,461	18,402
Benefits and expenses:							
Paid or credited to policyholders	1,909	1,867	7,218	62	11,056	2,933	13,989
Other	757	750	617	119	2,243	382	2,625
Amortization of finite life intangible assets	–	–	4	14	18	–	18
Restructuring costs	–	–	–	22	22	–	22
Net operating income before income taxes	405	699	435	63	1,602	146	1,748
Income taxes	111	185	56	(81)	271	52	323
Net income before non-controlling interests	294	514	379	144	1,331	94	1,425
Non-controlling interests	–	–	–	7	7	–	7
Net income	294	514	379	137	1,324	94	1,418
Net income – participating policyholder	–	–	–	–	–	94	94
Net income – shareholders	294	514	379	137	1,324	–	1,324
Preferred shareholder dividends	–	–	–	11	11	–	11
Net income – common shareholder	$ 294	$ 514	$ 379	$ 126	$ 1,313	$ –	$ 1,313

For the year ended December 31, 2004	Shareholder Group Insurance	Individual Insurance & Investment Products	Europe/ Reinsurance	Corporate	Total	Participating Total	Total company
Income:							
Premium income	$ 2,532	$ 2,130	$ 5,966	$ (29)	$ 10,599	$ 1,944	$ 12,543
Net investment income	290	1,006	852	203	2,351	1,434	3,785
Fee and other income	114	547	399	23	1,083	1	1,084
Total income	2,936	3,683	7,217	197	14,033	3,379	17,412
Benefits and expenses:							
Paid or credited to policyholders	1,828	2,312	6,260	19	10,419	2,815	13,234
Other	769	771	535	140	2,215	406	2,621
Amortization of finite life intangible assets	–	–	5	13	18	–	18
Restructuring costs	–	–	–	42	42	–	42
Net operating income before income taxes	339	600	417	(17)	1,339	158	1,497
Income taxes	86	138	61	(72)	213	51	264
Net income before non-controlling interests	253	462	356	55	1,126	107	1,233
Non-controlling interests	–	–	–	7	7	–	7
Net income	253	462	356	48	1,119	107	1,226
Net income – participating policyholder	–	–	–	–	–	107	107
Net income – shareholders	253	462	356	48	1,119	–	1,119
Preferred shareholder dividends	–	–	–	11	11	–	11
Net income – common shareholder	$ 253	$ 462	$ 356	$ 37	$ 1,108	$ –	$ 1,108

(b) Consolidated Total Assets:

	2005 Shareholder	2005 Participating	2005 Total	2004 Shareholder	2004 Participating	2004 Total
Assets						
Invested assets	$ 41,889	$ 23,137	$ 65,026	$ 37,401	$ 22,606	$ 60,007
Goodwill and intangible assets	6,701	–	6,701	6,756	–	6,756
Other	4,200	714	4,914	3,840	504	4,344
Total assets	$ 52,790	$ 23,851	$ 76,641	$ 47,997	$ 23,110	$ 71,107
Segregated funds assets			58,150			52,214
Total assets under administration			$ 134,791			$ 123,321

(c) Geographic Distribution of Total Assets:

	2005 Income	2005 Assets	2004 Income	2004 Assets
Canada	$ 9,690	$ 48,962	$ 9,756	$ 47,151
International	8,712	27,679	7,656	23,956
	$ 18,402	$ 76,641	$ 17,412	$ 71,107

AUDITORS' REPORT

To the Policyholders, Shareholders and Directors, The Great-West Life Assurance Company

We have audited the consolidated balance sheets of The Great-West Life Assurance Company and the statements of segregated funds consolidated assets as at December 31, 2005 and 2004 and the summaries of consolidated operations, the consolidated statements of surplus, the consolidated statements of cash flows and the segregated funds consolidated statements of changes in assets for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company and its segregated funds as at December 31, 2005 and 2004 and the results of its operations and its cash flows and the changes in assets of its segregated funds for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants

Winnipeg, Manitoba
February 16, 2006

APPOINTED ACTUARY'S REPORT

To the Policyholders, Shareholders and Directors of The Great-West Life Assurance Company

I have valued the policy liabilities of The Great-West Life Assurance Company for its consolidated balance sheet at December 31, 2005 and their change in its summary of consolidated operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the consolidated financial statements fairly present the result of the valuation.

D. Allen Loney
Fellow, Canadian Institute of Actuaries

Winnipeg, Manitoba
February 16, 2006

PARTICIPATING POLICYHOLDER DIVIDEND POLICY

This policyholder dividend policy has been established by the Board of Directors and is subject to change from time to time. It applies to participating insurance policies.

Earnings are generated in the participating account when the experience in the participating account for factors such as investment income, asset defaults, mortality, lapses, expenses and taxes is collectively more favourable than the assumptions for these factors used when establishing the guaranteed values associated with participating insurance policies. Great-West may distribute a portion of the earnings as declared by the Board of Directors in accordance with this policyholder dividend policy.

Participating insurance policies are eligible for a periodic policyholder dividend. The amount available for distribution from the participating account as policyholder dividends is determined at least annually following a review of the actual and expected experience of the participating account, taking into account significant changes in factors such as investment income, asset defaults, mortality, lapses, expenses and taxes. The amount available for distribution in any year will vary upwards or downwards depending on the actual and expected experience. The amount available is also influenced by considerations such as: the need to retain earnings as surplus to, among other purposes, ensure financial strength and stability, finance new business growth, provide for transitions during periods of major change and smooth fluctuations in experience; practical considerations and limits; legal requirements; and prevailing industry practices.

The amount available for distribution as policyholder dividends is divided among classes of policyholders by setting the policyholder dividend scale. Great-West follows the contribution principle when setting the policyholder dividend scale. This means the amount available for distribution as policyholder dividends is divided among classes of policyholders over the long term in proportion to their contribution to earnings. A contribution to earnings will be made from a particular class of policies to the extent that the experience for that particular class is different from the assumptions that were used when establishing the guaranteed values for that class.

When applying the contribution principle, attention is paid to ensuring reasonable equity is achieved between classes of policyholders and between generations of policyholders, taking into account practical considerations and limits, legal requirements and prevailing industry practices. For certain blocks of policies, the policyholder dividend scale may be determined using methods which are designed to approximate the contribution to earnings of those blocks.

Termination dividends are not payable under any participating insurance policies issued by Great-West.

The policyholder dividends are credited according to the terms of each policy.

Prior to the declaration of policyholder dividends by the Board, the actuary of the Company will confirm that: the proposed policyholder dividends are in accordance with this policyholder dividend policy and in compliance with applicable legislative and regulatory requirements; and applicable professional practice standards have been followed.

As permitted by the *Insurance Companies Act*, Great-West may distribute to the shareholder account a percentage of the amount distributed to policyholders in respect of a financial year.

Policy illustrations will reflect changes to the policyholder dividend scale as soon as practical.

Approved by the Board of Directors

October 28, 2004
Effective December 31, 2004

SUBSIDIARIES OF THE GREAT-WEST LIFE ASSURANCE COMPANY

December 31, 2005

Name	Principal Office Address	Carrying Value (1) ($ millions)	Voting Share Ownership (%)
Gold Circle Insurance Company	Winnipeg, Manitoba	3	100.0%
GWL Investment Management Ltd.	Winnipeg, Manitoba	3	100.0%
GWL Realty Advisors Inc.	Winnipeg, Manitoba	–	100.0%
CGWLL Inc.	Winnipeg, Manitoba	8	100.0%
London Insurance Group Inc.	London, Ontario	2,773	100.0%
Canada Life Financial Corporation	Toronto, Ontario	7,462	100.0%

(1) The carrying value of shares is shown at the Company's equity interest in the subsidiaries

FIVE YEAR SUMMARY

(in millions of dollars except per common share amounts)

	2005	2004	2003	2002	2001
At December 31					
Total assets under administration	**$ 134,791**	$ 123,321	$ 115,609	$ 54,558	$ 53,764
For the Year Ended December 31					
Premiums:					
Life insurance, guaranteed annuities and insured health products	**$ 13,144**	$ 12,543	$ 9,937	$ 8,198	$ 7,451
Self-funded premium equivalents (ASO contracts)	**1,955**	1,863	1,675	1,355	1,238
Segregated funds deposits:					
Individual products	**6,046**	5,270	2,768	1,649	1,586
Group products	**2,682**	4,064	1,808	1,163	1,045
Total premiums and deposits	**23,827**	23,740	16,188	12,365	11,320
Bulk reinsurance – initial ceded premium	**–**	–	(6,279)	–	–
Net premiums and deposits	**$ 23,827**	$ 23,740	$ 9,909	$ 12,365	$ 11,320
Condensed Summary of Operations					
Income					
Premium income	**$ 13,144**	$ 12,543	$ 9,937	$ 8,198	$ 7,451
Bulk reinsurance – initial ceded premium	**–**	–	(6,279)	–	–
	13,144	12,543	3,658	8,198	7,451
Net investment income	**3,991**	3,785	3,261	2,187	2,287
Fee and other income	**1,267**	1,084	660	420	391
Total income	**18,402**	17,412	7,579	10,805	10,129
Benefits and Expenses					
Paid or credited to policyholders	**13,989**	13,234	4,567	8,978	8,308
Other	**2,625**	2,621	1,886	1,155	1,185
Amortization of finite life intangible assets	**18**	18	7	–	–
Restructuring costs	**22**	42	26	–	–
Net operating income before income taxes	**1,748**	1,497	1,093	672	636
Income taxes	**323**	264	270	196	272
Net income before non-controlling interests	**1,425**	1,233	823	476	364
Non-controlling interests	**7**	7	3	1	2
Net income before amortization of goodwill	**1,418**	1,226	820	475	362
Amortization of goodwill	**–**	–	–	–	61
Net income	**1,418**	1,226	820	475	301
Net income – participating policyholder	**94**	107	97	–	18
Net income – shareholders	**1,324**	1,119	723	475	283
Preferred shareholder dividends	**11**	11	11	14	25
Net income – common shareholder	**$ 1,313**	$ 1,108	$ 712	$ 461	$ 258
Earnings per common share	**$ 632.75**	$ 544.90	$ 440.70	$ 376.97	$ 214.90
Book value per common share	**$4,173.00**	$ 3,958.00	$ 3,616.00	$ 1,659.00	$ 1,527.00
Dividends to common shareholder – per share regular	**$ 290.00**	$ 227.87	$ 199.70	$ 248.14	$ 168.40
– per share special	**$ –**	$ –	$ –	$ 30.71	$ –

DIRECTORS AND OFFICERS

Board Of Directors

Robert Gratton [3, 4, 5, 6]
Chairman of the Board of the Company
Chairman, Power Financial Corporation

Gail S. Asper [1]
Corporate Secretary,
CanWest Global Communications Corporation

James W. Burns, O.C. [3, 4]
Director Emeritus,
Power Corporation of Canada

Orest T. Dackow [3, 4]
Corporate Director

André Desmarais, O.C. [3, 4, 5, 6]
President and Co-Chief Executive Officer,
Power Corporation of Canada
Deputy Chairman,
Power Financial Corporation

Paul Desmarais, Jr., O.C. [3, 4, 5, 6]
Chairman and Co-Chief Executive Officer,
Power Corporation of Canada

Daniel Johnson [2, 3, 5]
Of Counsel to McCarthy Tétrault LLP

Kevin P. Kavanagh, C.M. [2, 3, 6]
Corporate Director
Chancellor Emeritus, Brandon University

Peter Kruyt
Vice-President, Power Corporation of Canada

J. Blair MacAulay [4]
Corporate Director

The Right Honourable
Donald F. Mazankowski, P.C., O.C. [3, 4]
Senior Advisor to
Gowling Lafleur Henderson LLP

William T. McCallum
Vice-Chairman,
Great-West Life & Annuity Insurance Company

Raymond L. McFeetors [3, 4]
President and Chief Executive Officer of the Company
Great-West Lifeco Inc.,
London Life Insurance Company,
Canada Life Financial Corporation,
The Canada Life Assurance Company,
Great-West Life & Annuity Insurance Company

Randall L. Moffat [1, 2, 5]
Corporate Director

Jerry E.A. Nickerson [1]
Chairman of the Board,
H.B. Nickerson & Sons Limited

David A. Nield [3, 4, 6]
Corporate Director

R. Jeffrey Orr [3, 4, 5, 6]
President and Chief Executive Officer,
Power Financial Corporation

Gordon F. Osbaldeston, P.C., C.C. [2, 3, 6]
Corporate Director

Michel Plessis-Bélair, FCA[1, 3, 4]
Vice-Chairman and Chief Financial Officer,
Power Corporation of Canada
Executive Vice-President and
Chief Financial Officer,
Power Financial Corporation

Guy St-Germain, C.M. [1, 3, 4]
President, Placements Laugerma Inc.

Gérard Veilleux, O.C. [1]
Vice-President, Power Corporation of Canada

1 member of the Audit Committee
2 member of the Conduct Review Committee
3 member of the Executive Committee
4 member of the Investment Committee
5 member of the Compensation Committee
6 member of the Governance and Nominating Committee

Executive Officers

Raymond L. McFeetors
President and Chief Executive Officer

William L. Acton
President and Chief Operating Officer,
Europe

Denis J. Devos
President and Chief Operating Officer,
Canada

Elwood C. Haas
Senior Vice-President and
Chief Internal Auditor

D. Allen Loney
Executive Vice-President, Chief
Actuary/Capital Management

William W. Lovatt
Executive Vice-President and
Chief Financial Officer

Peter G. Munro
Executive Vice-President and
Chief Investment Officer

Sheila A. Wagar
Senior Vice-President,
General Counsel and Secretary

POLICYHOLDER AND SHAREHOLDER INFORMATION

Head Office

100 Osborne Street North, Winnipeg, Manitoba R3C 3A5

Stock Exchange

Stock Exchange Listings Symbol: GWL.PR.L, GWL.PR.O

The Preferred Shares Series L and O are listed on the Toronto Stock Exchange.

Transfer Agent and Registrar

The transfer agent and registrar of Great-West Life is **Computershare Investor Services, Inc.**

In Canada, the common shares and Non-Cumulative First Preferred Shares, Series L and O are transferable at the following location: 6th Floor, 530 8th Avenue S.W., Calgary, Alberta T2P 3S8

Dividends

The Preferred Shares Series L, O – Dividend record dates are usually between the 1st and 4th of January, April, July, and October. Dividends are usually paid the last day of January, April, July, and October.

The Preferred Shares Series Q – Dividend record dates are usually between the 1st and 4th of March, June, September and December. Dividends are usually paid the last day of March, June, September and December.

Financial Information

For financial information about Great-West Life, please contact the Chief Financial Officer at 204-946-7341.

For copies of the Annual or Quarterly Reports, please contact the Secretary's Office at 204-946-8366 or visit our website: **www.greatwestlife.com**

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A member of the Power Financial Corporation group of companies.

THE
Great-West Life
ASSURANCE COMPANY

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